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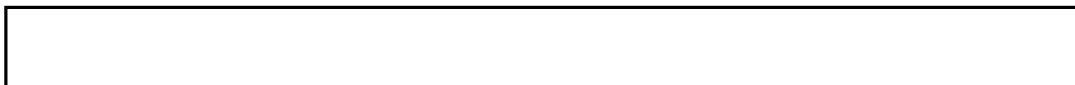
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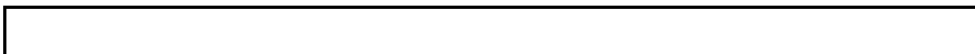


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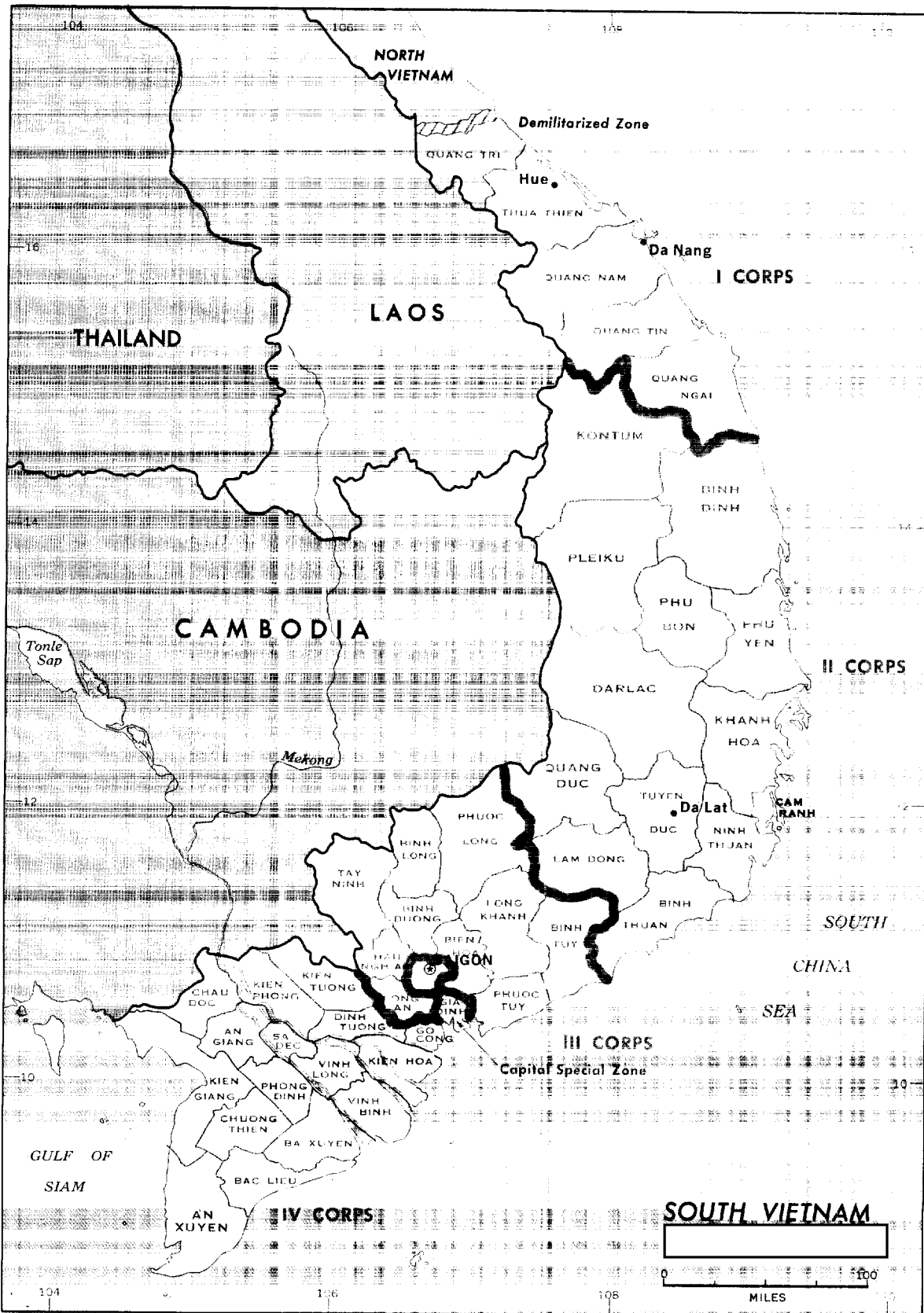


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[South Vietnam: Communist military activity remained relatively light on 7 March, but an upsurge is expected soon.

Enemy action on 7 March was generally confined to harassing shellings and small-scale ground fighting. The cities of Saigon and Hue went unscathed on 7 March, but Da Nang and the nearby US air base received a few rounds of mortar fire. Allied positions in northeastern Quang Tri Province received mortar fire from Communist positions in the southern half of the Demilitarized Zone for the sixth consecutive day, but no significant ground attacks occurred there or elsewhere in the northern provinces.

In the highlands of II Corps, the Communists continued to concentrate shellings on allied Special Forces camps; the provincial capital of Da Lat was shelled for the first time in the current offensive. In III and IV corps, there were widespread shellings of allied military installations as well as urban areas. (Map) **]**

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USSR-China: Charges and countercharges on the Soviet-Chinese border clash on 2 March are becoming increasingly strident.

The Russians have begun to match the Chinese blow for blow on the propaganda level. Yesterday's demonstration at the Chinese Embassy in Moscow was a direct retaliation for similar demonstrations in recent days in Peking. A note was also fired off demanding protection for Soviet personnel and protesting the roughing up of several Soviet officials. Although Moscow's actions were probably intended to serve notice on the Chinese that depredations against Soviet personnel in Peking will be answered by the Russians, the Chinese are not likely to let the Russians have the last word.

In the four days after the first announcement of the incident, Soviet propaganda had been kept at a very moderate level. Recollection of the siege of the Soviet Embassy in Peking in February 1967 probably figured in the Soviet decision to react more vigorously. Moscow had recently begun returning to Peking some of the diplomatic dependents withdrawn in 1967.

The Soviet press is also now claiming that the recent clash was larger and more grisly than first admitted and was a well-laid Chinese ambush. Thirty-one Soviet border troops are said to have been killed and their corpses mutilated; 14 allegedly were wounded.

However the incident began, each side is now committed to treating it as a deliberate provocation. Although Chinese harassment of the Soviets in Peking has eased, massive anti-Soviet rallies are continuing throughout the country. Peking apparently hopes to capitalize on the incident to generate a renewed display of national unity on the eve of the Ninth Party Congress, now expected this month.

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Japan: Government moves to curb student violence could provoke a crisis in the Diet and lead to its early dissolution.

Over the past year pressure has been building for sterner government action against leftist disorders which have severely disrupted the universities. There has recently been an upsurge in student violence in Kyoto. This, taken with political soundings by ruling Liberal Democratic Party members which indicate widespread popular discontent with student excesses, has apparently convinced many government leaders of the need for urgent action.

Prime Minister Sato has probably concluded that if he does not soon respond, intra-party rivals may use the issue to attack his leadership. The introduction of legislation to curb student violence probably would meet with bitter opposition from Socialists and Communists and might even lead to an impasse in Diet proceedings. Under these circumstances, Sato might consider it politically opportune to dissolve the Diet within the next few months and call for general elections.

Such a decision would be based on his assessment that the main opposition Japan Socialist Party is generally unprepared for early elections. The government's sponsorship of an emergency bill to restore order in the schools would be an effective campaign issue having wide popular appeal. [REDACTED]

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*Western Europe: There were no clear signs of heavy speculation against the French franc yesterday in European gold and foreign exchange markets, although the franc, pound, and dollar were all under some pressure.

The collapse of the French wage negotiations on 6 March caused less disruption in the money markets than expected. Trends were generally inconclusive on the eve of the regular monthly meeting of the Western central bankers in Basel. No important decisions are anticipated at this session.

Among the major currencies, the franc was under the heaviest pressure yesterday, although this was not of sufficient proportion to constitute a major speculative attack on the French currency. Uncertain conditions spilled over into the markets for sterling and dollars, but the West German mark remained strong. In London and Zurich, gold prices were up about \$0.25 from the level on 6 March; in Paris, where exchange controls have forced gold prices to a substantial premium, prices rose to the equivalent of \$48.02 per ounce. [REDACTED]

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

Czechoslovakia: Austerity measures announced on 6 March are the first bold steps in the government's program to renovate the economy.

Stanislav Razl, premier of the Czech lands, indicated to the Czechoslovak Trade Union Congress that Prague intends to curb uncontrolled wage increases, to reduce state expenditures--including subsidies--and probably to raise prices. He said that the details of the program to reduce inflationary pressures in wages, investments, and costs will be announced later. Razl added that the government plans to increase the production of consumer goods both to control inflation and to counterbalance the austerity measures.

The gulf between the government and the unions will widen if they fail to support this program, as requested by Razl. The austerity issue comes on the heels of a recent government-trade union disagreement on the questions of state control of enterprises and the relationship of workers' councils to enterprise management.

Despite warnings from Prague for more than a year that austerity measures are a necessary part of the nation's economic reform, the populace is certain to resent these moves.

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Mexico: The government is expanding and streamlining its control of public information.

Pedro Ramirez Vasquez, the highly esteemed president of the organizing committee for the Mexico City Olympics, will head a new Secretariat of Information, [REDACTED]

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This new cabinet-level organization will reportedly have a control section for radio and television, an office to control the import and issuance of newsprint, and a news agency to serve Mexican interests abroad through press officers assigned to the embassies.

The organization will probably administer a recent law--the most important and controversial legislation that came out of the last session of congress--placing in the public domain all media in which electromagnetic waves are broadcast. This means that all advertisers will have to pay a 25 percent tax on their radio and television ads. The treasury department is authorized, however, to give a 100 percent subsidy of the tax if the radio or television company is 49 percent federally owned.

The new law is expected to force all stations to sell stock to the government, whose representatives on the stations' boards will then have the practical role of censor.



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Dominican Republic: Communist factions, probably planning to exploit current student agitation, are reportedly coordinating their efforts and hope to establish a broad antigovernment front.

The Dominican Communist Party and the Dominican Popular Movement, two of the more important elements in the splintered Communist movement, began weekly consultations on 28 February, [REDACTED]

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[REDACTED] Leaders of these parties and other leftist groups reportedly met with labor representatives on 3 March in an attempt to enlist their support in the month-old dispute between the Autonomous University of Santo Domingo and the Balaguer administration over the size of the government-controlled budget.

Student agitation has continued throughout this week and Communist or labor support could lead to more widespread disorder. [REDACTED]

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Pakistan: President Ayub is preparing to resume talks with the opposition on Monday amid demands from hard-liners that he step down now instead of at the end of his term. Negotiations will probably be protracted, given the thorny constitutional problems to be worked out and the diverse regional and ideological interests to be satisfied. Other complicating factors are the current rash of violent strikes and the re-emergence of strong regional sentiments in West Pakistan, and the ongoing political agitation in East Pakistan. [REDACTED]

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Haiti: President Duvalier has recently assumed a more violent anti-Communist posture. [REDACTED]

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[REDACTED] 114 Haitians-- many of whom have no Communist connections--have been arrested in the past month on charges of Communist activity. This unusually drastic action by the government follows the reported merger of two clandestine Communist parties, the Party of Popular Accord and the United Haitian Democratic Party, to form the United Party of Haitian Communists. Although in the past Duvalier has not feared the Haitian Communists, he may be reacting to their recent union. On the other hand, he may be using this as an occasion to impress the new US administration with his anti-Communism. [REDACTED]

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